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July 30, 1993

BY HAND DELIVERY

William Caton
Acting Secretary
Federal Communications Commission
1919 M Street N.W.
Washington, D. C. 20554

Re: MM Docket No. 92-266- Rate Regulation

Dear Mr. Caton:

On July 28, 1993, on behalf of the Coalition of Small System Operators, Prime Cable of Alaska, L.P., and the Community Antenna Television Association, Inc., we filed a Petition for Stay in the Commission's Rate Regulation proceeding. The Petition included declarations which had been approved by the declarants, but not yet executed. We are providing herewith executed declarations to be associated with this Petition.

If you have any questions regarding this submission, please contact the undersigned.

Respectfully submitted,

HOGAN & HARTSON

By: [signature]
Jacqueline P. Cleary

Attorneys for the Coalition of Small System Operators, Prime Cable of Alaska, L.P., and the Community Antenna Television Association, Inc.

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FEDERAL COMMUNICATIONS COMMISSION
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AFFIDAVIT

STATE OF TEXAS §

COUNTY OF TRAVIS §

I, Rudolph H. Green, am the duly elected and qualified Vice President of Prime Cable Fund I, Inc., general partner of Prime Cable of Alaska, L.P. ("Prime Cable") and have served in such capacity at all times relevant for the facts set forth herein. I am submitting this Affivadit in support of the request of Prime Cable for a stay of the implementation of the rules and regulations of the Federal Communications Commission (the "FCC") relating to rate regulation, and aver as follows:

1. "Prime Cable ownes and operates a cable television system serving Anchorage, Alaska and surrounding areas. As of June 30, 1993, this cable system provided service to 51,121 subscribers."

2. "Applying the methodology prescribed by the FCC in its benchmark formula for determining whether Prime Cable's rates are reasonable, Prime Cable management has determined that its current aggregate rate for basic service and cable programming service in Anchorage is $31.76. Prime Cable management has determined that the aggregate rate for its basic cable service and cable programming service prescribed by the FCC benchmark formula is $27.96. Accordingly, in order to comply with the FCC prescribed rate formula, Prime Cable would have to reduce the aggregate rate for its basic cable service and cable programming services by $3.80."

3. "Prime Cable management has determined that a reduction in the aggregate rate for basic and programming service described above would result in a reduction in projected revenues of approximately $846,000 from September 1, 1993 thru December 31, 1993, and a reduction in cash flow of approximately $838,000 over the same period."

4. "Prime Cable's loan agreement with its bank lenders requires that it maintain a debt to cash flow ratio of 6.75 for each of the third and forth calendar quarters of 1993. Based on operational results to date, Prime Cable management believes that it would meet this debt to cash flow requirement in the absence of rate regulation. However, Prime Cable management anticipates that with the reduction in its cash flows described above, its debt to cash flow ratio will increase to at least 6.95 for the third quarter of 1993 and at least 7.25 for the forth quarter, thereby causing it to be in default of its debt to cash flow ratio loan

covenant in each of these quarters. Under the terms of Prime Cable's loan agreement, the lenders may cause the entire outstanding principal amount of the loan to be accelerated if Prime Cable violates any of its loan covenants. In addition, if the rates determined by the benchmark formula or the FCC benchmark formula are later struck down or revised, Prime Cable believes that it will not be able to recover the lost revenue from its subscribers or otherwise."

5. "Although Prime Cable's costs in Alaska are considerably higher than the costs for the typical cable system in the lower 48 states, the benchmark formula or benchmark system does not account for these higher costs. To the best of our knowledge, no Alaska cable systems were used in the data that the FCC relied on in establishing its benchmarks. The only way under the FCC's rules that Prime Cable may obtain consideration of these higher costs and to avoid violating its loan covenants is to rely on a "cost-of-service" showing. But the FCC has threatened that any cable operator, such as Prime Cable, that relies on a cost-of-service showing may have its rates reduced even further than under the benchmark system. The FCC has not yet established the standards that it will use in evaluating cost of service showings. Because of the uncertainty of the current situation, Prime Cable is unable to make a rational decision until the Commission establishes it cost-of-service standards. Any effective date before the cost-of-service standards are established would create this problem."

6. "Prime Cable's channel lineup will remain tentative until October 6, 1993, the date when cable operators must cease carrying broadcast stations that have not given necessary "retransmission consent." Prime Cable is attempting to negotiate such consent for all four network stations (i.e., including the Fox network) currently carried on its system, but there is no assurance that these negotiations can be completed before October 6, or that all such stations will ultimately give their consent. In the absence of such consent, Prime Cable will be forced to delete carriage of these stations on October 6, 1993."

7. "The FCC's benchmarks are calculated based on the number of regulated channels provided to subscribers. The rates permitted under the benchmarks would change, therefore, if Prime Cable were forced to delete broadcast stations from carriage on October 6, rates calculated on September 1 or October 1, therefore, might require almost immediate revision as of October 6, in the event that retransmission consent negotiations are unsuccessful. Any effective date for rate regulation prior to October 6, 1993, would create this problem."

7/27/93
DATE

Rudolph H. Green
Rudolph H. Green
Vice President

RG06079301

SWORN TO AND SUBSCRIBED BEFORE ME [illegible]

DECLARATION OF MICHAEL J. POHL

I, the undersigned, hereby declare under penalty of perjury that the following is true and correct to the best of my knowledge, information and belief.

Douglas Communications Corp. II ("Douglas") manages five limited partnerships, which, as of March 3, 1993, owned and operated cable television systems consisting of a total of approximately 468 franchises and approximately 414 headends which served approximately 102,000 subscribers. However, approximately 406 of Douglas' 414 headends were for franchises serving less than 1,000 subscribers ("Small Systems"). In fact, as of March 3, 1993, Douglas' Small Systems served an average of only 191 subscribers and provided an average of 16 activated channels. The areas served by Douglas' Small Systems have an average density of less than 41 homes passed per mile and 24 subscribers per mile with an average penetration of 60%.

Douglas continues to expend substantial time and monies in a good faith effort to understand the Federal Communications Commission's ("FCC") 500-page May 3, 1993, Report and Order, including the extensive worksheets, instructions, and forms, as well as the FCC's numerous other pronouncements implementing the 1992 Cable Television Act. Since the FCC's regulations are very complex, it has been necessary for Douglas' limited personnel to spend an inordinate amount of time aside from their normal duties to begin calculating the benchmarks prescribed by the FCC. Even the deferral to October 1 was no guarantee that Douglas would be able to complete these analyses by the implementation of regulation. But it is clear that Douglas will not be able to complete the analyses and adjust its rates, where necessary, by September 1, 1993, for its nearly 500 franchises.

Even if Douglas were able to complete calculations of the benchmark rates for all of its franchises and implement the rate changes, it would neither have the personnel nor the budget necessary to then commence and complete cost-of-service analysis for its franchises, even assuming the FCC had issued standards to conduct cost-of-service showings for small systems by September 1, 1993.

While large cable systems may have the personnel and monies to calculate the benchmarks prescribed by the FCC and conduct cost-of-service analysis by September 1, Douglas as a small systems operator with limited personnel and budget simply cannot complete such an undertaking by that date. The administrative burden, not to mention the costs, of understanding the FCC's benchmark levels if the as yet undefined cost-of-service showing does not justify existing rates. Douglas, like many other similarly situated small systems, requires additional time to complete the calculations and conduct the analysis necessary to calculate the impact of and to comply with the FCC's regulations. The Commission should not require compliance with the benchmarks until the parameters of the cost-of-service alternative are defined.

Douglas has suffered under the rate freeze that has been in effect since April 5, having had to forego scheduled, staggered, annual rate increases of approximately 5 percent since April. For Douglas Cable Communications L. P. ("DCCLP"), for example, which operates 316 cable systems serving a total of approximately 60,000 subscribers in the states of Kansas, Missouri, Nebraska, Illinois, and Iowa, the revenue loss from budgeted rate increases amounts to $56,362 a month.

These planned rate increases are essential to the company to maintain debt service coverage ratios under existing credit agreements. The following table compares expenses for DCCLP for the first six months of 1992 and 1993.

	1st 6 Months 1992	1st 6 months 1993	% Change
Plant Operations Expense	$ 624,644	$ 672,996	7.74%
Programming Fee Expense	1,529,482	1,714,698	12.12%
Total Operating Expenses */	4,516,824	4,794,851	6.16%
Total Non-Operating Expense **/	5,232,030	5,467,211	4.50%
Loss	$1,674,683	$1,771,208	5.77%

As evident from this table, DCCLP's loss in the first half of 1993 has increased since 1992 by $95,525, which is 5.77 percent..

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*/ Includes Plant Operations and Programming Expense

**/ Includes Interest, Depreciation, and Amortization

As a result of not being able to increase rates as planned DCCLP cannot cover its increased expenses. This fact, plus the current uncertainty about the ultimate effect of rate regulation has forced DCCLP to defer capital

[redacted]

DECLARATION OF JAY BUSCH

I, Jay Busch, hereby declare under penalty of perjury that the following is true and correct to the best of my knowledge, information and belief:

1. My name is Jay Busch. I am President of Triax Communications Corporation. Triax operates approximately 460 cable systems in 17 states, and provides cable service to approximately 345,000 subscribers.

2. Triax operates a large number of cable systems that would be severely affected by application of the Federal Communications Commission's rate regulation benchmarks.

3. For example, Triax operates a cable system in Wilsonville, Illinois.

4. In 1992 the system had total revenues of $32,000.

5. During the same period, the system experienced pro rata operating expenses of approximately $15,700. The depreciation and amortization for the system (on a pro rata basis) was approximately $14,100, and the interest expense for the system (also on a pro rata basis) was approximately $12,600.

6. During 1992, therefore, the Wilsonville system had a net loss of $10,400.

7. The FCC benchmark methodology would require Triax to reduce the revenues from regulated services in the

8. In the event Triax decreased its rates (and revenues) by $4,400, the system's net loss would increase to the point where revenues would not cover all of the current interest expense associated with the system, excluding (non-cash) depreciation and amortization charges.

9. In order to comply with the FCC's rules, by September 1, 1993, Triax must take one of three steps: (1) cease its operations in the system, forcing it to cut off service to all of the system's subscribers; (2) roll back its rates to benchmark levels which will reduce its revenues so

11. If this were a stand-alone system, the inability to meet the system's interest expenses would require serious consideration to shutting the system off. On the other hand, although Triax believes that any reasonable cost-of-service analysis would justify the system's existing rates (and even a substantial increase), Triax has no assurance at this time that what it considers a reasonable cost of service analysis will be employed. And the FCC has indicated that cable systems (including Triax) may be required to make a refund to subscribers back to September 1, 1993, for any charges above those justified by the FCC's analysis. Therefore, if Triax chooses to retain its current rates based on a cost-of-service analysis, it runs the risk that its net losses could be <u>even higher</u> than the losses that would be generated for the period after September 1 under the benchmarks.

Jay Busch

Dated: July 29 1993

1022G

DECLARATION

I, Vince King, hereby declare under penalty of perjury that the following is true and correct to the best of my knowledge, information and belief:

ACI Management, Inc. ("ACI") manages systems in Brookshire, Waelder, Chimney Hill, Fulshear, Prairie View, Moulton, Ponder and Argyle, Texas. The average number of subscribers for these systems is 266 and the systems serve a total of approximately 2,000 subscribers. The average number of subscribers per community unit is 152. These systems offer an average of 24 channels of regulated service.

Approximately one year ago, ACI was brought in to turn around and manage these systems, which have suffered net losses for the last five years. Through ACI's efforts, the systems' net losses have begun to decrease. However, as demonstrated by the chart below, compliance with the FCC's benchmarks would substantially increase the systems' net losses. The systems currently operate under a forbearance agreement with their lender. Any reduction in operating revenue would violate multiple revenue and cash flow covenants in the forbearance agreement. Furthermore, such violations could cause the systems to go into bankruptcy, and ultimately cause deactivation of the systems. This loss of service would leave the 2000 subscribers of the systems without cable television service. Over the last year, the Brookshire systems have experienced the following overall increases in costs:

- basic programming costs 4.6%
- pole rental rates 3.7%
- state unemployment tax rates 52%
- employee health insurance 79%

Over the last few months, for all of its cable operations, ACI has invested about $22,700 on its efforts to learn and understand the new cable rules and to perform related administrative functions required by the rules (such as notification of broadcast stations entitled to must carry, etc.). In addition, ACI estimates that it will be required to spend approximately $12,000 in order to add all of the channels required to be added under the new signal carriage rules. Compliance with the rules' channel positioning requirements will cost an additional $2,000. ACI will have to spend about $19,000 on expenditures for compliance with the FCC's new technical rules.

ACI has added personnel, and will continue to hire new people, in order to comply with the new customer service rules. Phone answering requirements, installation deadlines and deadlines for the commencement of work on the outage of a single channel will result in payroll increases of 10 to 12 percent.

New billing requirements will more than double the cost of customer billing as ACI goes from yearly coupon bills to monthly statements.

Vincent King
Vincent King
President
ACI Management, Inc.

Dated: July 28, 1993.